

Message Text

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ACTION EB-07

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 3734

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MUSCAT

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BEIRUT FOR RCAA

E.O. 11652: N/A

TAGS: EAIR, ECIN KU

SUBJECT: KUWAIT AIRWAYS CHAIRMAN ON CURRENT CIVAIR
DEVELOPMENTS

SUMMARY: KUWAIT AIRWAYS CHAIRMAN FAISAL FULAIJ DISAPPOINTED
OVER NEGATIVE REPLY TO REQUEST BY GOK FOR CIVAIR BILATERAL
DISCUSSIONS. HE HOPES MATTER CAN BE REVIEWED AGAIN EVENTUALLY.
HE INDICATED COMPANY WILL CHOOSE WIDE-BODIED AIRCRAFT BEFORE
LOMG, BUT COMPANY STILL CAREFULLY REVIEWING ALL FACTORS.
KUWAIT HOPES OTHERS IN REGION WILL JOIN IN CARGO AIRLINE
PROJECT, BUT IF THEY DO NOT KAC WILL GO AHEAD ON ITS OWN AND
FORM KUWAITI CARGO AIRLINE. END SUMMARY.

1. EMBOFFS RECENTLY REVIEWED CURRENT CIVAIR DEVELOPMENTS

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WITH KUWAIT AIRWAYS (KAC) CHAIRMAN FAISAL FULAIJ. ON USG
NEGATIVE REPLY TO KUWAITI REQUEST FOR CIVAIR BILATERALS

(REF C) WE POINTED OUT THAT USG NOT ENTIRELY OPPOSED TO GOK REQUEST FOR DIRECT AIR CONNECTIONS BETWEEN KUWAIT AND EAST COAST OF U.S. THERE WAS ROOM FOR DISCUSSION OF SUCH CONNECTIONS ON A MULTILATERAL BASIS, IF KAC JOINED WITH OTHER AIRLINES OF THE ARABIAN PENINSULA AND THE GULF. NEVERTHELESS, U.S.G. FELT ECONOMIC REALITIES IN FORM OF LOW LEVELS OF DIRECT AIR TRAFFIC, AND LIMITED KUWAITI AIRSPACE, MILITATED AGAINST DISCUSSING DIRECT AIR CONNECTIONS AT THIS TIME.

2. FULAIJ ADMITTED THAT SUCH ECONOMIC DIFFICULTIES EXISTED. HOWEVER, HE FELT THAT IT WAS STILL NECESSARY AT LEAST FROM KAC'S VIEWPOINT TO BEGIN U.S.-GOK NEGOTIATIONS ON SUBJECT FOR AT LEAST TWO REASONS: NEED FOR PLANNING FLEXIBILITY AND INCREASED COMPETITION FROM OTHER REGIONAL AIRLINES IN FIELD OF DIRECT U.S. CONNECTIONS. FULAIJ EXPLAINED THAT KAC NEEDS AN AGREEMENT NOT SO MUCH TO MEET THE CURRENT DEMAND FOR DIRECT AIR SERVICES WITH THE U.S., BUT IN ORDER TO PROVIDE FOR FUTURE EXPANSION.⁹

3. FULAIJ'S FRUSTRATION BECAME EVIDENT IN DISCUSSING POSSIBLE

CONSORTIUM APPROACH TO US ROUTES FROM ARAB WORLD. HE SKEPTICAL THAT ANY ARAB LINE CAN HANDLE DAILY FLIGHTS, WHICH HE CONSIDERS NECESSARY, AND YET SEVERAL LINES--HE MENTIONED SYRIAN ARAB AIRLINES--PLANNING TO INITIATE DIRECT SERVICES TO US. HE FEELS THAT KUWAIT BEING UNFAIRLY EXCLUDED SIMPLY BECAUSE IT TOO SMALL TO OFFER SIGNIFICANT OVERFLIGHT RIGHTS. IN ANY CASE OTHER ARAB AIRLINES NOT INTERESTED IN JOINT AIRLINE APPROACH AS SUGGESTED IN REF C. THUS, KAC COMES TO DEAD END WITH BOTH ARABS AND AMERICANS.

4. EMBOFF THEN ASKED ABOUT KAC EXPANSION PLANS IN GENERAL. FULAIJ MENTIONED THAT NEW ROUTES WOULD BE ESTABLISHED TO NORTH AFRICA AND TO KHARTOUM VIA JIDDA. IN RESPONSE TO INQUIRY ABOUT CONNECTIONS WITH JAPAN, FULAIJ SAID THAT, THOUGH CIVIL AIR AGREEMENT HAD BEEN EXTENDED FOR ANOTHER YEAR, KAC REMAINED UNWILLING TO ESTABLISH DIRECT SERVICE TO JAPAN AT THIS TIME. FULAIJ FELT THAT KAC WOULD NOT BE ABLE AT THE PRESENT TIME TO MAKE A PROFIT ON THAT ROUTE, LIMITED OFFICIAL USE
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ESPECIALLY SINCE IT WAS FORBIDDEN BY KUWAITI AUTHORITIES TO SERVE ALCOHOLIC BEVERAGES. FULAIJ ACKNOWLEDGED RUEFULLY KAC FAVORABLE PROFIT PICTURE (REPORTED IN REFTTEL A) MADE IT DIFFICULT FOR KAC TO JUSTIFY REQUESTS TO GOK THAT LIQUOR PROHIBITION BE DROPPED.

5. DISCUSSION THEN TURNED TO WIDE-BODIED AIRCRAFT. FULAIJ SAID HIS PROBLEM WAS NOT GETTING A LOT OF PEOPLE TO A FEW PLACES, BUT GETTING A LOT OF PEOPLE TO A LOT OF DIFFERENT PLACES. FOR THIS REASON FULAIJ ESTIMATED THAT KAC WOULD

NOT ACTUALLY NEED SUCH AIRCRAFT UNTIL 1977, AT THE EARLIEST, AND MORE PROBABLY 1978. FULAIJ WAS DEFINITELY IN THE MARKET, FOR SUCH JETS PARTLY BECAUSE OF THE LEAD TIMES INVOLVED, AND PARTLY BECAUSE HE ANTICIPATED THAT KAC WOULD BE ENTERING THE CARGO BUSINESS, EITHER INDEPENDENTLY OR AS PART OF A REGIONAL AIRLINE. FULAIJ NOTED THAT KAC MIGHT CONVERT ONE OR MORE OF ITS 707'S TO CARGO, AND RESERVE THE WIDE-BODIED JETS FOR PASSENGER RUNS. FULAIJ SAID THAT BOEING, LOCKHEED, AND MCDONNELL-DOUGLAS WERE ALL IN THE RUNNING, BUT PERHAPS BOEING AND LOCKHEED WERE SOMEWHAT AHEAD.

6. FINALLY, FULAIJ MENTIONED THAT KAC HAD BEEN MEETING WITH REPRESENTATIVES OF INTERCONTINENTAL AND HYATT ON THE CONSTRUCTION AND OPERATIONS OF A NEW 500 ROOM LUXURY HOTEL, TO BE LOCATED ON THE BEACH NEAR THE SHERATON. FULAIJ SAID IN RESPONSE TO EMBOFF INQUIRY THAT HE ANTICIPATED NO OVERCAPACITY PROBLEMS, AS RESULT HOTEL EXPANSION NOW UNDERWAY HERE.

7. FULAIJ INDICATED THAT WIDE-BODIED DECISION WILL BE INDEPENDENT OF WHETHER ROUTES TO US ARE GRANTED. WIDE-BODIED DECISION PROBABLY WILL BE MADE BY EARLY 1976. IN GENERAL, KAC DOING WELL IN TERMS OF PROFITS AND AS NEW NORTH AFRICAN ROUTES AND HOTEL ACTIVITIES SHOW, COMPANY EXPANDING. NEVERTHELESS, PROBLEMS WITH US AND FAR EAST ROUTE DEVELOPMENT AND INABILITY OR HESITANCY OF OTHER ARAB STATES TO LEAVE PAROCHIAL INTERESTS BEHIND AND PARTICIPATE IN JOINT CARRIER OPERATIONS ARE ANNOYING AND FRUSTRATING TO KUWAIT AIRWAYS CHAIRMAN. HE HOPES THAT EVENTUALLY USG WILL RECONSIDER ITS RECENT DECISION AND ALLOW BILATERAL CIVIL AIR DISCUSSIONS AT LEAST TO TAKE PLACE.
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